

Notice to Members

DECEMBER 2, 2003

INFORMATIONAL

SUGGESTED ROUTING

Executive Representatives

NASD Notice of Meeting and Proxy

KEY TOPICS

Board Elections

The Annual Meeting of Members of NASD will be held on January 6, 2004, at 11:00 am, at the NASD Visitors Center, 1735 K Street, NW, in Washington, DC. The purpose of the meeting is to conduct the election of Governors to the NASD Board. Members can raise other topics for discussion by properly notifying NASD of these topics.¹ The record date for the Annual Meeting is the close of business on December 1, 2003.

It is important that all members be represented at the Annual Meeting. Members are urged to vote in the election of Board members using one of the methods described below.

Board of Governors Election

There are four vacancies to be filled at this meeting—one Industry governorship and three Public governorships. The nominees for the vacancies are listed in Attachment A. The nominees elected will serve for terms specified in Attachment A.

Attachment B includes the biographies of the nominees of the NASD National Nominating Committee (NNC). Attachment C contains the names of the current Board of Governors.

Voting Methods

Members will be able to vote using one of the following methods:

- ▶ U.S. mail
- ▶ Internet
- ▶ Phone

The enclosed proxy contains detailed instructions on the voting procedures.

Questions regarding this *Notice* may be directed to:

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1500

ATTACHMENT A

NASD Board of Governors Nominees

The following four persons have been nominated by the NNC to serve on the Board of Governors of NASD for a term of three years or until their successors are duly elected or qualified. Terms of office run from January 6, 2004, to January 2007.

Terms of Office 2004-2007

INDUSTRY

William C. Alsover, Jr. Chairman, Centennial Securities Company, Inc.
(Small Firm Representative)

PUBLIC

Charles A. Bowsher ²	Former Comptroller General of the U.S.
Joel Seligman	Dean, Washington University School of Law
Sharon P. Smith	Dean, College of Business Administration, Fordham University

ATTACHMENT B

NASD Profile of Board Nominee for Industry Governor

William C. Alsover, Jr. is Chairman of Centennial Securities Company, Inc., a full service broker/dealer located in Grand Rapids, Michigan. Prior to joining Centennial, Mr. Alsover was with Fahnestock & Company. Mr. Alsover currently serves as Chairman of the Small Firm Advisory Board and on the Securities Advisory Committee, Office of Financial and Insurance Services, for the State of Michigan. He has served on several industry committees, including the Securities Industry Association (SIA) Investor Education and Local Firms Committees, and the New York Stock Exchange's Committee dealing with day trading and margin requirements. Mr. Alsover is the former Chairman of the SIA Local Firm Committee, and a former member of the NASD Chicago District 8 District Business Conduct Committee. He received his B.A. from Michigan State University.

NASD Profiles of Board Nominees for Public Governors

Charles A. Bowsher is the former Comptroller General of the United States and head of the General Accounting Office (GAO). Mr. Bowsher was appointed to his 15-year term in 1981 by President Reagan. Prior to this appointment, Mr. Bowsher was associated with Arthur Andersen & Co. for 25 years, and also served as Assistant Secretary of the Navy for Financial Management. He served as Chairman of the Public Oversight Board and currently serves on the corporate boards of American Express Bank, DeVry, Inc., the Washington Mutual Investors Fund, and S.I. International, Inc. He is a trustee of the Center for Naval Analysis, the Logistics Management Institute, the United States Navy Memorial Foundation, and the Concord Coalition, and serves on the advisory boards at several universities. He is the recipient of honorary doctorate degrees from five universities. Mr. Bowsher graduated from the University of Illinois and received an M.B.A. from the University of Chicago after serving two years in the U.S. Army.

Joel Seligman is the Dean and Ethan A.H. Shepley University Professor at the Washington University School of Law. Before beginning his tenure as Dean in 1999, Mr. Seligman served as the Dean of the University of Arizona College of Law. He has also previously served on the law faculty of the universities of Michigan, George Washington and Northeastern. Since beginning as Dean at Washington University School of Law in 1999, Mr. Seligman served as Reporter for the National Conference of Commissioners on Uniform State Law, was Chair of the Securities and Exchange Commission Advisory Committee on Market Information; and has served as a member of the American Institute of Certified Public Accountants Professional Ethics Executive Committee. He is the author or co-author of 20 books and over 35 articles on legal issues related to securities and corporations. He is the co-author of *Fundamentals of Securities Regulation* and the casebook, *Securities Regulation*, which he co-wrote with John Coffee. His book, *The Transformation of Wall Street: A History of the Securities and Exchange Commission and Modern Corporate Finance*, is widely regarded as the leading history of the Commission. He received his bachelor's degree *magna cum laude* from the University of California Los Angeles and his law degree *cum laude* from Harvard University School of Law.

Sharon P. Smith is the Dean of the Schools of Business and of the Business Faculty at Fordham University, where she is also a Professor of Management Systems. Ms. Smith joined Fordham University in 1990 after serving as a Visiting Senior Research Economist at Princeton University from 1988 to 1990. Prior to this, she worked at American Telephone & Telegraph Co. for six years as a District Manager in various capacities, such as Corporate Strategy and Development, Labor Relations, and Economic Analysis Section. Before joining AT&T, she was a Senior Economist at the Federal Reserve Bank of New York. Ms. Smith currently serves as a public member of the Security Traders Association (STA) Board, the STA Foundation Advisory Council, as well as a variety of other professional organizations and associations. She holds a Ph.D. in Economics from Rutgers University.

ATTACHMENT C

Current Board of Governors

Governors with Terms Expiring in January 2004

INDUSTRY

William C. Alsover, Jr.	Chairman, Centennial Securities Company, Inc. (Small Firm Representative)
Douglas L. Kelly ³	A.G. Edwards & Sons, Inc. (Chair of the National Adjudicatory Council)
Richard C. Romano*	Chairman, Romano Brothers & Co.
Hardwick Simmons*	Retired Chairman and CEO, The Nasdaq Stock Market, Inc.

NON-INDUSTRY

H. Furlong Baldwin*	Chairman (retired), Mercantile Bankshares Corporation
Arvind Sodhani*	Vice President and Treasurer, Intel Corporation

PUBLIC

Brian T. Borders	Borders Law Group
Charles A. Bowsher	Former Comptroller General of the U.S.
Sharon P. Smith	Dean, College of Business Administration, Fordham University

* Not eligible for re-election

Governors with Terms Expiring in January 2005

INDUSTRY

John W. Bachmann	Managing Partner, Edward D. Jones & Company
Richard F. Brueckner	Chief Executive Officer, Pershing LLC (Representative of a Clearing Firm)
Raymond A. Mason	Chairman and CEO, Legg Mason, Inc. (Representative of a Regional Retail Firm)

NON-INDUSTRY

Harry P. Kamen*	Retired Chairman and Chief Executive Officer, Metropolitan Life Insurance Company (Representative of an Insurance Company)
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PUBLIC

James E. Burton	Chief Executive Officer, World Gold Council
Sir Brian Corby	Chairman (retired), Prudential Assurance Company
John Rutherford, Jr.	President and CEO, Moody's Corporation

* Not eligible for re-election

Governors with Terms Expiring in January 2006

INDUSTRY

M. LaRae Bakerink*	Chief Executive Officer, Westfield Bakerink Brozak, LLC
David A. DeMuro	Managing Director, Director of Global Compliance and Regulation, Lehman Brothers, Inc. (Representative of a National Retail Firm)

NON-INDUSTRY

John J. Brennan	Chairman and CEO, The Vanguard Group (Representative of an Issuer of Investment Company Shares)
Eugene M. Isenberg*	Chairman and CEO, Nabors Industries, Inc.

PUBLIC

Kenneth M. Duberstein*	Chairman and CEO, The Duberstein Group, Inc.
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* Not eligible for re-election

Endnotes

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| 1 Pursuant to Sections 1 and 3(b) of Article XXI of the NASD By-Laws, an NASD member may properly bring any other business before the Annual Meeting by giving timely notice in writing to the Secretary of NASD. In addition, the member must be an NASD member at the time of the delivery of such notice, and the other business must be a proper matter for member action. To be timely, a member's notice must be delivered to the Secretary at NASD's principal executive offices (the address is listed above) within 25 days of the date of this notice. | The member's notice must offer a brief description of the other business, any material interest of the member in such business, and the reasons for conducting such business at the Annual Meeting. |
| 2 Appointed in July 2003 to fill a vacancy on the Board. | |
| 3 The Chair of the National Adjudicatory Council serves a one-year term on the NASD Board. | |

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